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GAIN Report

Global Agricultural Information Network

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South Africa - Republic of

Exporter Guide

Exporting to South Africa

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Report Highlights:

South Africa serves as the perfect entry point to doing business in the Sub-Saharan African region. With a population of almost 56 million people, 64.3 percent of which is urban, a growing middle class, and well-developed infrastructure, the country is one of the most advanced, diverse, and attractive business destinations on the African continent. Despite the country's well-developed processed food sector and its competitive horticultural sector, it continues to offer windows of opportunities for imports.

Post:

Pretoria

SECTION I: Market Overview

South Africa is one of the most advanced and diverse economies on the African continent. With a population of almost 56 million people, the country is an attractive business destination, due to its growing market. South Africa also serves as the perfect entry point to do business in the Sub-Saharan Africa region. The South African commercial agricultural sector is highly diversified and is self-sufficient in most primary foods with the exceptions of wheat, rice, oilseeds, pork and poultry products. Despite the country's well-developed processed food sector and its competitive horticultural sector, it continues to offer windows of opportunities for imports. In 2016, U.S. exports of agricultural products to South Africa increased by 55 percent, reaching USD 321 million. The major U.S. exports included wheat and meslin, food preparations, corn (maize) other than seed corn, shelled almonds fresh or dried, chicken cuts and edible offal, vegetable seeds for sowing, mixtures of odoriferous substances used in food/drink, and sauces and condiments.

The dynamic South Africa consumer market has been characterized by increased real household income over the past several years, especially in the middle class and upper-income segments. This has resulted in significant investments in the building of new shopping malls, retail stores and supermarkets. However, the proportion of the population that falls in the middle and high income category is only about 13 percent of the total population in South Africa, which is regarded as low in comparison to developed countries such as the United States with a middle income population of at least 40 percent. Urbanization has also increased, with almost two thirds of the South African population living in urban areas, presenting great potential for United States products.

Despite the signs of economic development, increasing unemployment and consumer debt continue to present great challenges for the country. An unemployment rate of 26.5 percent, coupled with skilled labor shortages, hinders the country's economic advancement. South Africa's economy grew by 0.3 percent in 2016 and is expected to grow by less than two percent in the next two years, as lower commodity prices, labor unrest, policy uncertainty, corruption and prospects of a weaker global economy will impact negatively on economic growth. This presents a challenge to the government in its quest to reduce poverty and unemployment.

Table 1.1 Market Advantages and Challenges facing U.S. Suppliers in South Africa

Advantages	Challenges
South Africa represents a gateway to business in the Sub-Saharan Africa region, providing access to neighboring country markets.	Limited technical capacity and political will on the part of South African regulators contribute to trade barriers and delays in resolving technical issues.
The South African middle class continues to grow and has an increasing appetite for high-value consumer goods.	Local products are preferred over imported goods because of a perception that imports harm the local economy and jobs.
Consumers place an increasingly high value on choice, and U.S. products are regarded as adding variety to the retail landscape.	European products are regarded as high quality and have greater market access due to historical ties and the South Africa-EU Free Trade Agreement.
Some parts of the South African government and industry are interested in strengthening the U.S.-South Africa trade relationship.	Protectionist policies on poultry and livestock products continue to undermine the bilateral trade relationship.

South African importers and distributors actively market brand name consumer goods, including U.S. products.	Lower-income consumers do not exhibit brand loyalty. Consumers in general are price-conscious so product promotion must be ongoing.
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SECTION II: Exporter Business Tips

2.1 Local Business Practices and Customs

South Africa is a multi-cultural country with 11 different official languages, although English is the main language for business communications. Business meetings can be informal, such as in a coffee shop, or very formal at a company's headquarters, and usually include more than one representative of a particular organization. South Africans are typically punctual. Before meetings, phone calls should always be made to confirm the appointment and avoid misunderstandings. Prior agreement on the meeting agenda is also extremely important. Business cards are usually exchanged at the beginning of meetings and are generally simple, including only the basics such as company logo, name, business title, address, telephone number, fax number, e-mail, and web-address. Presentations at meetings should be well planned, informative and to the point, always making sure time is allocated for questions and discussions.

Receptions and networking events are common and important for business people in South Africa. Giving gifts to clients or providers is not a necessary practice, but it is normal for established business partners to do this type of exchange. However, bribery and corruption are present in the public and private sectors and as a professional one needs to understand the difference between wanting to build a relationship with a client/provider and expecting something in exchange for a favor.

South African business people tend to dress conservatively, particularly in the banking sector. However, "casual" and "smart casual" clothing has become increasingly popular in all the sectors particularly on Fridays. Terminology used in business invitations are as follows:

- Black Tie (dark suit and tie or tuxedo or formal evening dress)
- Business (jacket and tie or a business dress)
- Smart Casual (casual clothing with or without tie, including jacket and jeans and no sneakers)
- Casual (includes jeans but no sport shorts)

The South African currency is the Rand (R), which is divided into 100 cents (c).

South African Standard Time (SAST) is six hours ahead of Eastern Daylight Time and seven hours ahead of Eastern Standard Time. South Africa does not follow daylight savings time. Generally, business hours are weekdays from 8:00 a.m. to 5:00 or 6:00 p.m. with a lunch hour in between, ranging between 11:00 – 2:00 p.m. Most offices observe a five-day week, but shops are generally open from 8:30 a.m. to 5:30 p.m. weekdays and from 8:30 a.m. to 4:00 p.m. on Saturdays, with a few opening on Sundays and Public Holidays, especially those located at major shopping malls. Banks are open weekdays from 8:30 a.m. to 3:30 p.m. and Saturdays from 8:00 a.m. to 12:30 p.m., and some open Sundays from 9:00 a.m. to 12:00 noon. There are only a few stores open 24-hours per day.

2.2 Consumer Behavior, Tastes, and Preferences

- Middle class South Africans are increasingly brand conscious, thus new products entering the South African market, particularly unknown or lesser known brands, require extensive market research
- There is greater demand for house or private labeled-brands as consumers see these products as providing good value for money.
- South African consumers are also looking for convenience. Supermarkets and convenience stores are augmenting their stock of snack foods, ready-to-eat meals, and pre-cooked “heat at home” meals.
- At the same time, consumers are becoming increasingly health conscious. Major supermarket retail chains increasingly have organic sections. Consumers are buying more “natural” products; foods with less or no “perceived bad” ingredients (e.g. sugar, salt, trans fat, etc.) are becoming mainstream. Fresh fruits and vegetables, nuts, grains and legumes are increasingly part of the daily diet for middle to high-income consumers.
- Consumers want to indulge in sophisticated and tasty foods. Fresh, higher-quality, luxury ingredients are being incorporated into foods.
- South African consumers are also increasingly interested in food from other countries and cultures.
- The demand for longer store hours is pushing businesses, especially fast food and gas station shops, to move towards 24-hour service.
- There is a greater demand for dairy products such as drinking yogurt, smoothies and ice cream.
- Food labeling is growing in importance, as consumers want to be informed about what they are eating.
- Trends show that bottled water, including premium, imported, flavored, enhanced and oxygenated varieties, now accounts for a large portion of the beverage market.

2.3 Food Standards and Regulations

Please refer to the annual GAIN reports prepared by FAS/Pretoria on South African Food and Agricultural Import Regulations and Standards: [FAIRS Narrative report](#) and [FAIRS Certification report](#).

Biotechnology: South Africa is seen as a leader in the biotechnology sector in Africa, and many neighboring countries look to South Africa for guidance and direction. South African biotechnology policy is formulated under the Genetically Modified Organisms (GMO) Act of 1977. This act was modified by cabinet in 2005 to bring it in line with the Cartagena Biosafety Protocol and again in 2006 in order to address some economic and environmental concerns. In June 2001, the South African government published the National Biotechnology Strategy for South Africa, expressing the South African government’s intent to stimulate the growth of biotechnological industries. The document states that biotechnology can make an important contribution to national priorities, particularly in the area of human health, food security, and environmental sustainability.

For more information, please refer to the annual [Biotechnology GAIN](#) report prepared by FAS/Pretoria.

2.4 General Import and Inspection Procedures

Food consignments are subject to random inspection and sampling at any point of entry into South Africa to ensure that the food products are safe and comply with local regulations. Freight forwarders or importers normally handle documentation and other formalities at entry points. The following documents are required for products to enter South Africa: a bill of entry, a customs worksheet, a commercial invoice, an import permit if necessary, special import certificates if necessary, all the transport documents depending on the way of transportation of goods, and the certificate of origin (DA59).

Customs Procedures: South Africa uses the Single Administrative Document (SAD), with all customs clearances being processed using SAD form 500, SAD 501 (continuation sheet), SAD 502 (transit control form for cross border movements), SAD 505 (bond control for internal bonded movements), and SAD 507 (optional additional information). The SAD can be used to clear a consignment through customs in two or more countries. Additional information and SAD forms are available at: www.sars.gov.za.

Tariffs: As a member of the World Trade Organization, South Africa must comply with certain standards regarding tariffs and duties. Detailed information on required tariffs and duties can be found on the website of the South African International Trade Administration Commission (ITAC) at: www.itac.org.za

The attached South Africa Revenue report highlights [U.S. bound rates](#). Warning, the document is 661 pages. The rate for the United States falls under the general heading.

Trade Agreements: More information about South Africa's [trade agreements](#) with other nations is provided here.

2.5 Legal and Marketing Issues

Company Registration and Intellectual Property Rights: The Companies and Intellectual Property Commission (CIPC) is responsible for registering companies and managing intellectual property rights issues, including trademarks, patents, and copyrights. Additional information is available at: info@cipc.co.za or <http://www.cipc.co.za>.

Selling to the Government: Government procurement is significant in the South African economy and occurs at all levels of government, i.e. national, regional, and provincial. It is a competitive process carried out through competitive bidding on invitations for tenders, which are published in the official State Tender Bulletin at <http://www.gov.za>, the online government gazette at www.greengazette.co.za, and sometimes in leading newspapers. Although local manufacturers are favored for government procurements, overseas firms are not precluded from bidding, which would necessitate engaging an agent in South Africa. As a general practice, payment is made to the local agent.

Additional information is available from the South African National Treasury, which administers the government procurement process: <http://www.treasury.gov.za>.

Franchising: Despite the downturn in the South African economy, franchising continues to grow in the retail and food service sectors, contributing 11.6 percent to the country's GDP. Recent years have seen

growth in the popularity of franchises. A relatively recent trend sees restaurant franchises partnering with gas stations to encourage customers to purchase food while refueling their vehicles.

More information about the sector, including a member listing, can be found at <http://www.fasa.co.za>.

SECTION III: Market Sector Structure and Trends

3.1 Retail Sector

The South African retail food sector is sophisticated relative to other markets on the African continent. Five major locally-owned corporations dominate the industry, operating warehouses, wholesale outlets, hypermarkets, supermarkets, and convenience stores throughout South Africa. These local chains have also successfully expanded with solid and growing footprints into other countries in the Sub-Saharan African and Asia-Pacific regions. Shoprite has 316 stores in nine countries (Angola, Botswana, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Swaziland, and Zambia); Pick n Pay has 73 stores in five countries (Botswana, Lesotho, Namibia, Swaziland, and Zambia); Massmart operates stores in eleven countries (Botswana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda, and Zambia); The Spar has 123 stores in five countries (Botswana, Mozambique, Mauritius, Namibia, and Swaziland); and Woolworths has 21 stores in five countries (Botswana, Lesotho, Mozambique, Namibia, and Zambia). The value of grocery retail sales was nearly R600 billion in 2016 and is expected to grow due to retailers having diversified geographic earnings.

South African retailers are stocked with different brands of products appealing to all. Consumers are learning more about Western foods and food preparations and are interested in a greater variety of products and brands, including U.S. products. There is also growing demand for healthy and ready-to-eat products. Stores are looking to provide the consumer with a simplified shopping experience that saves time. Internet sales are also on the increase.

Please refer to the [annual retail GAIN report](#) for more information about this sector.

Table 3.1 Major South African Retailers

Retail Company	Ownership	2016 Sales (USD/Year in Mil)	No. of Outlets	Locations (city/region)	Purchasing Agent Type	Website
Shoprite	Local	\$9,058	2,276	South Africa	Agent/Direct	www.shopriteholdings.co.za
Pick 'n Pay	Local	\$6,109	1,700	South Africa	Agent/Direct	www.picknpay-ir.co.za
Massmart	Local/U.S.	\$7,019	412	South Africa	Agent/Direct	www.massmart.co.za
The Spar	Local/Dutch	\$4,552	821	South Africa	Agent	www.spar-international.com
Woolworths	Local	\$2,907	940	South Africa	Agent/Direct	www.woolworthsholdings.co.za

3.2 Hotel, Restaurant & Institutional (HRI) / Food Service Sector

Despite the weakening of the South African economy, international travelers continue to flock to South Africa and the hospitality industry plays a major role in food sales in the country, with international brands continuing to make inroads into the country. In fact, the depreciation of the rand has made the country less expensive for foreign visitors and thus an even more attractive tourist destination. South Africa's largest city, Johannesburg, is a leading business destination, while also attracting tourists. Its hotels and convention centers host world class exhibitions, conferences, and other events. Cape Town is the most popular tourist destination in the country and is known for its dynamic, cosmopolitan culinary scene. Cape Town is also a favored destination for conferences and other business events for visitors from around the globe. Durban is a smaller market than Johannesburg and Cape Town, but its cultural richness and beautiful waterfront hotels with sandy beaches make it appealing for domestic and international tourists. South Africa's countrywide wildlife, archaeological sites, and natural resources are part of the allure of the nation bringing tourists to all parts of the country all year long. South Africa's hotel industry is served by a variety of hotel groups of domestic and international renown. Marriot International acquired one of South Africa's biggest hotel companies, Protea Hospitality Holdings, making the U.S. chain a leader in a continent where tourism and business travel are growing rapidly. The Southern Sun Hotel Group also plays an important role in the South African hospitality industry and has expanded to other African countries like Kenya, Zambia, Tanzania and Mozambique.

Full-service restaurants, bars and cafés play an integral part of the South African experience. The restaurant industry in South Africa is growing, as the trend of dining out becomes more popular. The nation boasts many luxury restaurants that reflect its ethnic diversity through foods. Whiskey/Bourbon, the most consumed spirit by the middle class in South Africa is on the rise, and one can walk into any bar or restaurant lounge to find a good selection of whiskies. Craft beer breweries are transforming the way to drink beer and local wines are well renowned around the world. The rising demand for convenient and read-to-eat food and the influence of Western culture has driven U.S. and local fast food chains to grow. An increasing number of fast food outlets are located within hotel chains, airports, shopping malls and retail stores with 24-hour service catering to consumer demand.

More information about [HRI sector](#), can be found here.

3.3 Food Processing Sector

South Africa's food processing sector plays a significant role in job creation and economic development. Tiger Consumer Brands is the overall leader in packaged processed foods with its many established brands. Pioneer Foods, a producer and distributor of a range of food and beverage products for human and animal consumption, and Clover SA, the leader in the packaged dairy products, also play a major role in the industry in terms of market share. The frozen processed foods sub-sector is dominated by partnerships between local grocery retailers and international food companies. The most successful products within this category are frozen poultry, pizza, and frozen vegetables.

Table 3.2 Major South African Food Processing Companies

Local Companies	Website	International Companies with Local Operations	Website
Tiger Consumer	www.tigerbrands.co.za	Nestlé	www.nestle.co.za

Brands	www.tigerbrands.com		
Pioneer Foods Pty Ltd	www.pioneerfoods.co.za	Unilever	www.unilever.co.za
Clover S.A.	www.clover.co.za	Dole	www.dolesa.co.za
Distell	www.distell.co.za	Parmalat	www.parmalat.co.za
Capespan	www.capespangroup.com	McCain Foods	www.mccain.co.za
Ceres Fruit Juices	www.ceres.co.za		
SAB Miller	www.sab.co.za		
Oceana Group Ltd	www.oceana.co.za		
Famous Brands Ltd	www.famousbrands.co.za		

SECTION IV: Best Consumer-Oriented Product Prospects

Trade data trends from calendar years 2012 through 2016 indicate growing exports of certain U.S. consumer-oriented foods to South Africa. Despite some of the percentage declines in some of the categories, American brands are becoming increasingly popular given their high quality attributes. Table 4.1 highlights potential market opportunities in this category.

Table 4.1 Top U.S. Export Opportunities

Product Category	Jan –Dec 2016 South African Imports from the World (\$1,000)	Jan – Dec 2016 U.S. Exports to South Africa. (\$1,000)	Percentage of Annual Import Growth U.S.	Import Tariff Rate	Market Appeal for U.S.
Almonds HS080212	21	18	-6,42	Free	U.S. has largest market share at 85%.
Salmon HS160411	1,287	360	-10.08	25%	U.S. has the second largest market share at 28%.
Sauces & Condiments HS210390	20,096	7,358	26	20%	U.S. has the largest market share at 26%.
Lactose & Lactose Syrups HS170211	9,101	3,954	97	free	U.S. has the largest market share at 43%.
Food Preparations HS210690	162	26	-6.90	varied	U.S. has the largest market share at 16%.
Tomatoes, prepared & preserved HS200290	18,936	2,380	51.34	37%	U.S. second has the second largest market share at 13%.

Turkey cuts and edible offal HS020727	28,992	1,245	2293	free	The U.S. is the fifth trading partner with 4% market share.
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Source: Global Trade Atlas (GTA)

SECTION V: Key Contacts and Further Information

Should you have any questions or comments regarding this report or need further assistance, please contact AgPretoria at:

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For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service's website at <http://www.fas.usda.gov>.

The U.S. Foreign Commercial Service prepares an annual South Africa Country Commercial Guide that offers a comprehensive look at South Africa's commercial environment, using economic, political and market analysis. For more information visit www.buyusa.gov/Southafrica.